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6 **BEFORE THE WASHINGTON**  
7 **UTILITIES AND TRANSPORTATION COMMISSION**

8 In the Matter of the Petition of SPRINT  
9 NEXTEL CORPORATION to Amend its  
10 Designation as an Eligible  
11 Telecommunications Carrier and Request for  
12 Waiver of WAC 480-123-030(1)(g)

DOCKET NO. UT-073023

COMMENTS OF THE WASHINGTON  
INDEPENDENT TELEPHONE  
ASSOCIATION

12 1. The Washington Independent Telephone Association (“WITA”) hereby provides its  
13 comments in response to the Verified Petition of Sprint Nextel Corporation to Amend its  
14 Designation as an Eligible Telecommunications Carrier and Request for Waiver of WAC 480-123-  
15 030(1)(g) (“Petition”). For ease of reference, Sprint Nextel Corporation will be referred to as Sprint  
16 Nextel.  
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18 2. As a preliminary matter, WITA has recently filed a Petition for a Moratorium on  
19 Designation of Competitive Eligible Telecommunications Carriers. In that petition, WITA  
20 requested that this Petition be held in abeyance until the WITA petition has been resolved. WITA  
21 repeats that request.  
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26 COMMENTS OF THE  
WASHINGTON INDEPENDENT  
TELEPHONE ASSOCIATION - 1

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1 I. SPRINT NEXTEL'S EXPANDED DESIGNATION  
2 MAY NOT BEIN THE PUBLIC INEREST

3 3. Sprint Nextel argues at pages 14 and 15 of its Petition that granting the amendment to its  
4 eligible telecommunications carrier ("ETC") designation will serve the public interest. Specifically,  
5 Sprint Nextel argues that it will make additional investments that will expand and improve service  
6 and will expand the company's network coverage. See, page 15 of the Petition. These statements  
7 must be taken with a large grain of salt.

8 4. First, on June 4, 2007, a Petition was filed with the Federal Communications Commission  
9 ("FCC") seeking revocation of Sprint Nextel's ETC designation in the Commonwealth of Virginia.  
10 This Petition seeks to revoke that designation because Sprint Nextel has not built out an expanded  
11 coverage in rural and unserved areas. While the mere filing of a petition does not prove the  
12 underlying facts, this certainly calls into question the commitment of Sprint Nextel. The petition  
13 filed with the FCC is attached as Exhibit 1.

15 5. In addition, the concept that it is in the public interest to designate a wireless carrier as a  
16 competitive ETC to improve customer choice and improve wireless coverage has been called into  
17 question by two empirical studies recently released by Criterion Economics, L.L.C. It has been  
18 reported that these studies were commissioned by Verizon, which has a very large wireless  
19 presence. The studies are entitled The Effects of Providing Universal Service Subsidies to Wireless  
20 Carriers, Kevin W. Caves, PhD. and Jeffrey A. Eisenach, PhD., Criterion Economics, L.L.C.,  
21 released June 13, 2007, and The Availability of Unsubsidized Wireless and Wireline Competition  
22 in Areas Receiving Universal Service Funds, Nicholas Vantzelfde, Criterion Economics, L.L.C.,  
23 released June 13, 2007.

1 6. The Caves and Eisenach study looks at the policy rationale for using universal service funds  
2 to subsidize wireless competitive ETCs. Caves and Eisenach conduct both a theoretical and  
3 empirical analysis of whether universal service fund subsidies have an effect on prices to customers  
4 in rural areas, the availability of service and increased wireless coverage. As stated by Caves and  
5 Eisenach, a central issue in the debate over funding wireless ETCs "is whether and to what extent  
6 USF subsidies lead to increased availability of wireless services, either by making them more  
7 affordable or by increasing the extent of wireless coverage or choice." See, Caves and Eisenach at  
8 page 42. The Caves and Eisenach study is attached as Exhibit 2.

10 7. From a theoretical standpoint, Caves and Eisenach conclude that universal service fund  
11 subsidies do not create incentives for wireless carriers to invest in rural areas nor do they have an  
12 effect on relative prices of wireless services in rural areas, as wireless prices are set in national  
13 markets. See, Caves and Eisenach pages 23-31.

15 8. Then Caves and Eisenach test the policy theory on an empirical basis. From an empirical  
16 viewpoint, Caves and Eisenach cannot find evidence of a positive relationship between universal  
17 service fund subsidies and wireless service availability and choice. That result held true with  
18 respect to both overall coverage and with respect to measures of competition and choice. See,  
19 Caves and Eisenach at pages 33-41.

21 9. The Vantzelfde study provides an empirical analysis of whether subsidized wireless service  
22 provides any advantage in increased coverage or availability. Vantzelfde tests whether there is a  
23 benefit from use of universal service funds by comparing subsidized with unsubsidized wireless  
24 service. Vantzelfde finds that there is an abundant level of unsubsidized wireless service in areas

1 where subsidized carriers exist. There is some small incremental coverage over unsubsidized  
2 carriers. As Vantzelfde concludes, this is less than four percent of total covered households, costing  
3 roughly \$425.00 annually per incremental household. On the other hand, Vantzelfde concludes that  
4 the unsubsidized carriers provide much greater overall coverage in the study areas where the  
5 wireless carriers are receiving subsidies. He also points out that the coverage by these wireless  
6 ETCs is highly duplicative. Vantzelfde Study at p. 22.

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8 10. Vantzelfde reaches a very direct and to the point conclusion: "Overall, my analysis  
9 demonstrates that, to the extent subsidies to wireless CETCs are intended to increase the availability  
10 of wireless service in high cost areas, the vast majority of the funds are simply wasted." Vantzelfde  
11 Study at p. 22. The Vantzelfde Study is attached as Exhibit 3.

12 11. These concerns are amplified by reviewing Sprint Nextel's Confidential Exhibit C which is  
13 entitled Supplemental Service Improvement Plan for the State of Washington.  
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3 II. SPRINT NEXTEL'S REQUEST FOR WAIVER OF WAC 480-123-030(1)(g)  
4 IS NOT IN THE PUBLIC INTEREST AND SHOULD BE DENIED

5 12. Sprint Nextel requests waiver of WAC 480-123-030(1)(g). This regulation requires an ETC  
6 applicant to demonstrate that it has the ability to function in emergency situations. The minimum  
7 requirement set forth by WAC 480-123-030(1)(g) is that the applicant must demonstrate that it  
8 maintains at least four hours of backup battery power to each cell site, backup generators at each  
9 microwave hub, and at least five hours backup battery power and backup generators at each switch.

10 13. Sprint Nextel states that it has two hours of battery backup at its cell sites rather than the  
11 required four hours. See, paragraph 40 of the Petition. Sprint Nextel minimizes this deficiency by  
12 arguing that it stages portable generators throughout its service area and would attempt to dispatch  
13 employees to timely deploy those generators when needed. See, paragraph 40 of the Petition.  
14 Sprint Nextel recently submitted additional confidential information on this issue that as of this date  
15 has not been provided for review pursuant to a nondisclosure agreement. Thus, these Comments  
16 address only the non-confidential material in the Petition.

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18 14. Sprint Nextel also points out that its switch backup is three hours rather than five hours.  
19 Sprint Nextel argues that it has on-site generators in addition to the backup battery that maintain a  
20 seventy-two hour fuel supply. This, Sprint Nextel argues, meets this particular portion of the  
21 requirement. See, paragraph 41 of the Petition.

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23 15. There is no good reason to allow Sprint Nextel to receive universal service funds when it  
24 cannot meet the minimum emergency backup requirements set out by the Commission. As this

1 Commission is well aware, there were significant problems this last winter with the outages caused  
2 by the major windstorms. Why should Sprint Nextel be allowed to be below the minimum  
3 threshold as a competitive ETC?

4 16. Another important basis upon which to deny Sprint Nextel's request for waiver of WAC  
5 480-123-030(1)(g) is found in the very recent order of the FCC in response to the recommendations  
6 of the independent panel that reviewed the impact of Hurricane Katrina on communications  
7 networks.<sup>1</sup> As a result of those recommendations, the FCC has now required that all LECs and  
8 CRMS providers have an emergency backup power source, with backup power for a minimum of  
9 twenty-four hours for assets inside central offices and for eight hours at cell sites, remote switches  
10 and digital loop carrier system remote terminals where those are normally powered from local AC  
11 commercial power. FCC Order at paragraph 77. See, 47 C.F.R. §12.2. While these standards are  
12 written as standards that LECs and CMRS providers "should maintain," these are standards that can  
13 now be expected to be the minimum that carriers will need to meet. In light of the national policy  
14 established recently by the FCC, it would not be appropriate to grant Sprint Nextel's waiver when it  
15 will fall short of existing state standards, not to mention new federal standards, and yet seek receipt  
16 of federal universal service funds.  
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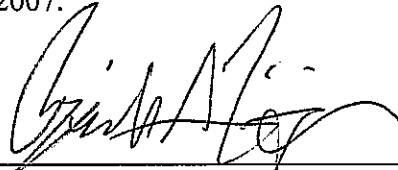
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24 <sup>1</sup> In the Matter of Recommendations of the Independent Panel Reviewing the Impact of Hurricane Katrina on  
25 Communications Networks, EB Docket No. 06-119, WC Docket No. 06-63, Order, FCC 07-107 (released June 8,  
2007).

1 III. CONCLUSION

2 17. For the foregoing reasons, WITA requests that the Commission deny Sprint Nextel's  
3 Petition.

4 Respectfully submitted this 21st day of June, 2007.

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8 Attorney for the Washington Independent  
9 Telephone Association